MARKETWATCH

Value City Splits Stock 2-for-1

COLUMBUS, Ohio — Value City, capitalizing on the 103% gain in its stock since it went public in June, has split its stock 2-for-1. On June 11, Schottenstein Stores, which still controls the chain, sold 3.75 million shares, or a 25% stake, for $19.50 a share. On Nov. 6, its stock closed at $39.63. For its first quarter ended Oct. 31, Value City reported an 18% sales gain from 56 stores to $158.8 million. Comparable-store sales rose 15.5%.

Waban Nets $73M on Stock Sale

NATICK, Mass. — Waban netted $73 million from the sale of four million shares of stock at $19 a share and will use the proceeds for expansion of its two warehouse operations, BJ's Wholesale Club, currently with 31 units, and HomeClub, with 73 home centers. Waban could net $10.95 million more from the sale of another 600,000 shares to cover underwriter over-allotments. The company expects the stock offering, along with a private placement of $60 million of seven-year 9.58% senior notes, to satisfy its capital requirements at least through January 1993.

Glass to Keynote IMRA Meeting

WASHINGTON — Wal-Mart chairman David Glass will deliver the keynote address at the International Mass Retail Association's Physical Distribution & Transportation conference Jan. 8-10 at the Hyatt Regency in Phoenix. IMRA also announced several new members have joined the fold. They are: Almances Exito, a Columbian food and general merchandise retailer; Indianapolis-based Auto Source; Omaha-based Half-Price Stores; Kinko's Service Corp., Ventura, Calif.; and New York Department Stores de Puerto Rico.

Brendle's to Refinance Debt Load

ELKIN, N.C. — Brendle's has obtained a $20 million term loan and a $49 million revolving credit facility from its three major lenders, Wachovia Bank and Trust Co., First Citizens Bank and Trust Co., and First Union National Bank of North Carolina. The funds will be used to refinance existing debt and finance general corporate purposes and ongoing working capital needs.

BizMart Franchises Computer Depts

ARLINGTON, Texas — BizMart, through its rapidly expanding computer department superstore and Mega-Center formats, is now franchising the operation of the computer departments to Intelligent Electronics' franchisees. (Intelligent Electronics acquired BizMart last June.) So far, 22 BizMart stores have franchisees operating the computer department.

OfficeMax to Open 7 Boston Stores

CLEVELAND — OfficeMax said that it will open seven stores in the Boston market during the first half of 1992, directly challenging Staples on its home turf. In addition, OfficeMax will enter the Long Island, N.Y., and Atlanta markets next year. The chain will also open units in Natick, Seekonk, Somerville, and North Darmouth, Mass., plus one nearby in Warwick, R.I. The Natick and Somerville locations are former Highland stores and require complete renovation.

FOR THE RECORD

Stuart Hall, the Kansas City-based supplier of school and office products, ranked eighth among stationery brands preferred by consumers in *DSN's* annual Top Brands Study. Its name was inadvertently misspelled in a chart accompanying the story. Also, men's apparel supplier Williamson-Dickie was misspelled in a chart on top men's brands.

A typographical error in the Oct. 21 issue of *DSN* put Toy Liquidators' store count at 11. The chain has 110 units.

The inaugural trade show of the School and Home Office Products Association (SHOPA) will be held Dec. 11 to 14 in New Orleans. *DSN* inadvertently printed the wrong dates.

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Jamesway Hires Ex-Ames Chief

Hollis to Oversee Key Areas at Discounter

SECAUCUS, N.J. — Jamesway named Peter H. Hollis, former president and chief executive officer of Ames, to a new position: executive vice president, merchandising, advertising and store operations.

Hollis resigned from Ames April 30, 1990, four days after the chain declared Chapter 11 bankruptcy. He had been employed as an independent consultant since then.

Before joining Ames in July 1986 as president and chief operating officer, Hollis had served as president and ceo of Fisher's Big Wheel.

Ames appointed him as its chief executive officer and president in September 1987.

At Jamesway, the position of president and coo has remained vacant since the resignation in June 1990 of Arlie Lazarus. Chairman Herbert Fisher assumed those duties following the departure of Lazarus after 22 years, including 12 as president.

Following the closing of 11 stores this March, Jamesway operates 121 units.

Peter Hollis

Newell Set to Invest in Stuart Hall

FREEPORT, Ill. — Newell, a diversified manufacturer of home-related products, has agreed to invest $10.5 million in Stuart Hall, a Kansas City-based supplier of mass market stationery products.

Stuart Hall will use the money to fund the company's expansion plans for the next two to three years, said Charles Hanson, chairman.

Under the terms of the agreement, contained in a Letter of Intent, Newell will buy 750,000 shares of Stuart Hall Series B 7¾% Cumulative Convertible Preferred Stock at $14 per share. The Series B preferred shares are convertible into Stuart Hall common shares on a one-for-one basis.

A formal agreement between the two companies must be approved by the board of directors of each company. Stuart Hall has appointed a special committee of outside directors to evaluate the proposed transaction.

The Newell/Stuart Hall agreement was announced Oct. 16. In addition to the stock sale, the agreement includes some cross-options, exercisable by the end of 1994, that could lead to greater ownership by Newell.

The options, signed by Newell and Hanson, would allow Newell to purchase and sell about 900,000 shares of Stuart Hall stock owned by the Hanson family should Hanson die or become disabled. Valuation of the shares will be tied to a formula.

The agreement with Newell is not the only money raising activity Stuart Hall has worked on in 1991.

In June, Stuart Hall raised $6.75 million by selling 500,000 shares of its Series A 8¾% Convertible Preferred stock, valued at $13.50 per share, to Grupo Chihuahua, a major Mexican holding company with large pulp and paper interests in Mexico.

The deal calls for Stuart Hall to be a major marketer of Group Chihuahua's Ponderosa papers in the United States.

Chase Manhattan Bank, N.A., was the investment banker in the private placement of the shares to Grupo Chihuahua.

Legal Tangles Spread in TV Product Biz

LOS ANGELES — The recent seizure by U.S. marshals of some 500 pieces of a thigh exercising device at the Los Angeles County Fair illustrates the growing enmity between suppliers of one of the hottest growth categories at discount stores this year.

Acting under a preliminary injunction granted in U.S. District Court of California to Ovation Communications, maker of the Thigh Master exerciser, the marshals also seized more than 20,200 units of the similar Thigh Magic item from the Van Nuys offices of AP Products.

"We are extremely encouraged by this restraining order and seizure order and subsequent preliminary injunction, which will cause other product manufacturers to think twice before copying our design," said Peter Bieler, president of Ovation.

Many retailers have taken to calling these products—which include such success stories as stomach flattening exercise equipment, triple-edged auto wiper blades, steam irons and teeth whiteners—"as seen on TV products." They are referring to how the products were first introduced to consumers via late night, 30-minute "infomercials" or 30-second TV spots featuring a toll-free number for viewers to call to order their new "not sold in any stores" product.

Ovation also has a separate lawsuit with another "as seen on TV" supplier, Telebrands.

Thigh Master appears to be making a successful transition to retail outlets. While direct response sales, at $19.95 for each Thigh Master, remain strong, the company completed a retail test in May and has already received orders for the product from such chains as Herman's and Oshman's, Bieler said. He added that negotiations are underway with major discounters, including Target, Wal-Mart, Kmart, Caldor, Jamesway, Rose's, Venture and others. Bieler expects to sell 4 million units at retail over the first 18 months.

Ovation spent between $9 million and $10 million advertising Thigh Master in 1991, on TV and in print magazines like *Parade* Sunday supplements. Because of high profile ad campaigns like that, "as seen on TV" products like Thigh Master can be big sellers for discounters, especially during the holiday season.

However, as suppliers step up the frequency of legal challenges to competitors' patents, and file suits for trade dress and other real or perceived infringements, retailers must also exhibit caution before taking on a line. If a retailer unknowingly deals with a "knockoff" brand, he "could place an order and never receive delivery because the shipment was seized," Bieler pointed out.

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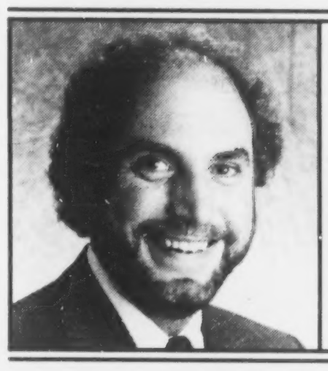
EDITORIAL

Gospel of Leadership, According to Glass

When Wal-Mart president and ceo David Glass delivered his keynote speech during Texas A&M University's Center for Retailing Studies Symposium held recently in Dallas, he made national headlines with the following predictions:

- Wal-Mart sales would hit $44 billion this year; $56 billion in 1992; exceed $100 billion by 2,000
- with associates climbing from 350,000 to 1 million companywide;
- Wal-Mart alone next year would generate more sales than the entire department store industry;
- Power centers, comprised of large discount specialty retailers will replace regional malls;
- Half of today's retailers would not be around by decade's end.



TONY LISANTI
Editor

Unfortunately, the consumer press overlooked the essence of Glass' speech about the qualities of leadership, choosing instead to play up his predictions made in a five minute Q&A session. So here's the gospel of leadership, according to Glass.

"To be a good leader," he said, "you first have to be a good servant. Distinguish between being a boss and a leader."

1. *Vision.* 'I have a dream' approach inspires people.
2. *Good communicator.*
3. *Inspire trust.*
4. *Positive self-regard.* If you don't think much of yourself, others won't either.
5. *Cultivate mavericks.* Miss a real bet if you don't.
6. *Be innovative.*
7. *Never be satisfied.*
8. *Willingness to fail.*
9. *Very low resistance to change.* If it ain't broke, soon it will be.
10. *Sense of urgency.* Like the oak tree, climb it or stand on a acre and wait for it to grow.
11. *People-oriented.*
12. *Great integrity.*
13. *Grassroots philosophy.*
14. *Be a generalist.*
15. *Entrepreneurial instincts.*
16. *High expectation levels.* No superstars . . . just very ordinary people that encourage us.
17. *Competitive spirit.*
18. *Push down decision-making process.*
19. *Dare to dream.*
20. *Dare to be different.*

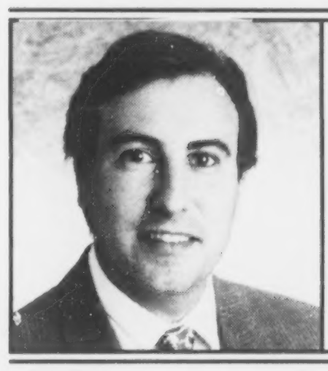
Amen, David.

BUYERS & SELLERS

Resist Pre-Christmas Price Promotions

At this time of the year, retailers are scrambling more than usual to salvage with a decent Christmas what has been a lackluster year.

Toys "R" Us, Child World, Bradlees, Sam's Club and others were actively soliciting holiday customers as early as late October. A recent poll of 21 of the nation's largest retailers, conducted by Mitsubishi Bank, found 57% of retailers expecting Christmas sales will be better this year than last. That optimism was tempered by a realistic expectation that the nation's economic problems place at risk their chances of achieving even their modest hopes for Christmas sales. Even if the economy perks up between now and Christmas, expectations are not high. One retailer told Mitsubishi's pollsters: "Last Christmas was very, very slow, so *better* [still] is not very good."



DON LONGO
Exec Editor

As *DSN* reported in its last issue ("A Christmas Not Even the Grinch Would Love," page 1, Nov. 4), nearly half of the nation's consumers plan to spend less on Christmas presents this year than they did in 1990. An article in the *Wall Street Journal* noted that the days of selling anything at full price during the Christmas season may be over as consumers have become conditioned to wait for pre-Christmas sales.

With more Christmas buying occurring later in the season, it's understandable that retailers are worried this year. Even though discounters in the Mitsubishi survey were more upbeat than most other chain store executives, they still felt that keeping a lid on pre-Christmas discounting was their major challenge of the season.

So, how are they meeting that challenge? By running more sales, even earlier than they did last year, of course. Makes a lot of sense, doesn't it?

There's a conference this month that will be well worth your time to attend. It's IMRA's Store Design Conference in Miami, Nov. 20 to 22. There'll be an important session on the new Americans with Disabilities Act and its effect on retailers. Call 202-861-0774 for more information.

DSN is also publishing a two-part series on the new law to help retailers conform to the ADA's anti-discrimination provisions. The series begins in December.

TAKING STOCK

Electronic Marketing Tools Expected to Grow

In case you haven't noticed, the use of electronic marketing devices has been steadily growing, with deployment of this technology likely to explode in the next few years.

This growth has occurred with little fanfare due to two factors: the broad range of devices and their functions, and the lack of an organization like a trade association that tracks use of this fast evolving technology.

At one time Touche Ross provided some measure of the electronic retailing industry, but the accounting and consulting firm stopped doing so when it merged with Deloitte, Haskins & Sells to become Deloitte & Touche. Now Marketplace 2000, a new consulting firm founded by former Touche Ross executive Cynthia Cohen Turk, has taken up the challenge.

ARTHUR MARKOWITZ
Senior Editor

The scope of the technology is evident from the firm's recent initial report, which was based on a survey of retailers that operate over 25,000 stores—8,000 general merchandise units, 2,000 supermarkets and 15,000 fast-food outlets—and analysis usage by each segment. A dozen specific systems were cited by retailers, ranging from self-checkouts (used by 1% of the respondents), frequent buyer programs (4%), interactive devices (8%), kiosks (13%), electronic billboards (15%) and video monitors (24%). The study noted that retailers frequently use more than one in-store device.

The desire to boost sales drives the use of all applications, but other considerations were cited for specific systems. Improving image was noted for video monitors, reducing labor costs for kiosks and raising ad revenues for in-store radio. Each technology also provided specific benefits: Advertising and product information for electronic billboards; product and directory information for interactive devices; and entertainment and product information for video walls.

The study noted that more than 70% of the respondents expected use of electronic marketing tools to grow. But it cited two drawbacks: A retailer's attitude, rather than its size, "appears to be the determining factor" in using this technology, and "knowledge about the industry is limited to a few individuals" in a company.

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H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Slanting Toward Discounters

Mass Merchants Gain Share in H&BC; Dollar & Unit Sales, Turnover Improve

By Jill Lettich

Mass merchandise chains significantly outdistanced drug stores and food chains in health & beauty care product sales growth in 1990.

In fact, a steady growth trend in the mass market tier over the past few years has put mass merchandisers in a class by themselves in Nielsen Marketing Research's just-released 1991 Review of Mass Merchandiser Trends.

For 1990, H&BC sales for mass merchandisers reached $6.4 billion, according to Nielsen. That was an 8% increase from 1989, more than double the percentage sales increases reported for drug stores (3.5%) and food stores (1.9%).

In addition, mass merchandisers have captured a 20.7% share of H&BC dollar sales for the first six months of 1991. In all of 1989, the discount tier accounted for only 18.3% of all H&BC dollar sales.

Nielsen is a Chicago-based research firm specializing in the H&BC market. This is the second year it has created a separate report on the category for mass merchandise retailers. The study was released exclusively to *DSN*.

The success of H&BC in the mass market has little to do with people spending more money. It has to do with a shift of H&BC dollars away from drug stores and to discounters, which make up the bulk of mass merchandise chains studied in the Nielsen's 1991 Review of Mass Merchandiser Trends.

Overall, Neilsen has painted a gloomy, or at the very least, stagnant, picture of the economy for 1990 and the first half of 1991. Most indicators portray an economy in trouble. Gross personal income was up 3% for the first few months of 1991, but real disposable income dropped 2% in the same period. The unemployment rate hit an all-time high of 7.2% in February, went down slight-

(Continued on page 18)

***Discounters like Target,** Columbus, Ohio, are taking H&BC dollars away from drug stores.* (DSN)

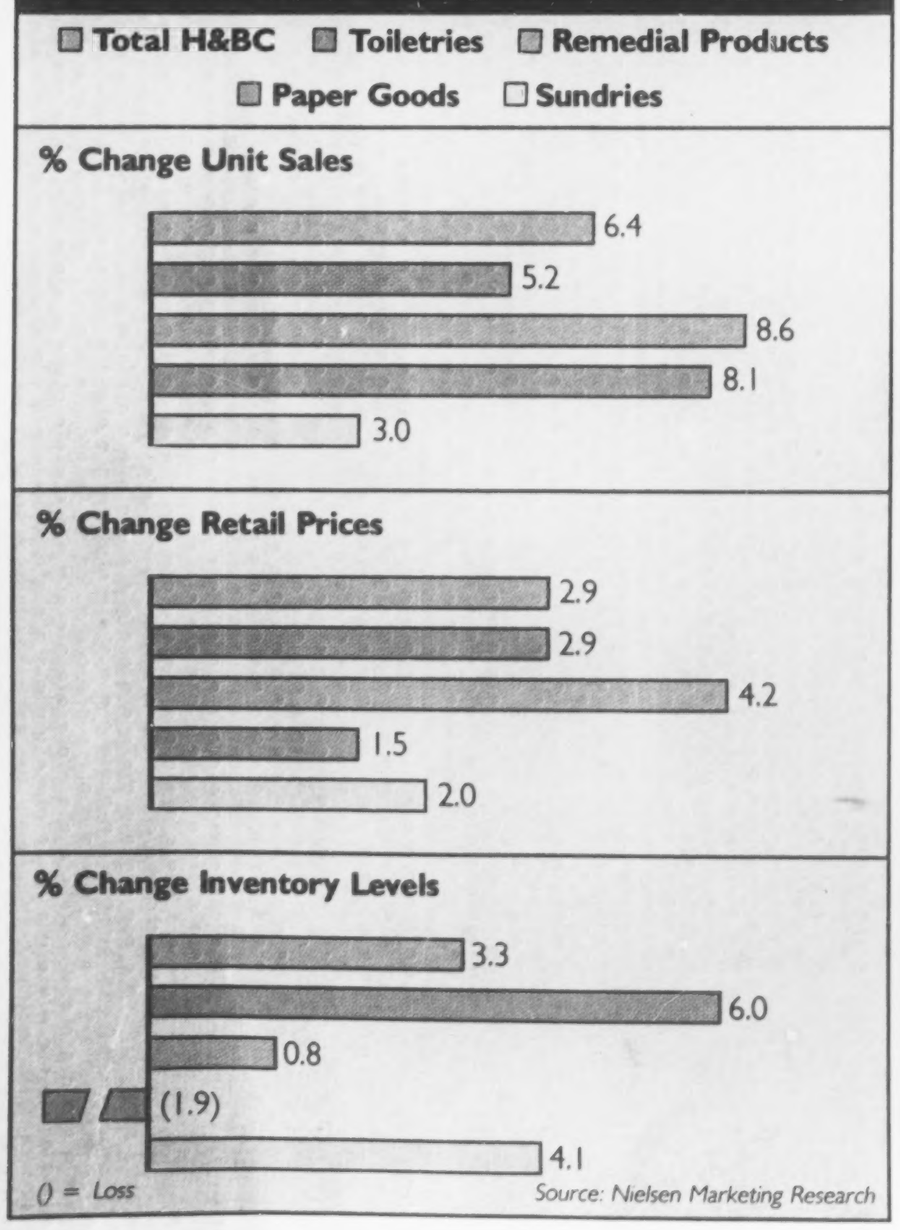
H&BC Trend Report:

- **Mass merchandisers now own a 20.7% share of total dollar sales of health & beauty care items.**
- **H&BC dollar sales for 1990 increased 8% for discounters compared to a total retail H&BC decrease of 3.7%.**
- **Discounters have a 20.6% share of disposable diaper sales, more than 10% more than that of drug stores.**
- **The highest turnover rates recorded at mass merchandisers were for paper products and cold/cough/flu remedies.**
- **Skin care products and analgesic/digestive remedies had unit sales increases of more than 10% at mass merchandisers.**

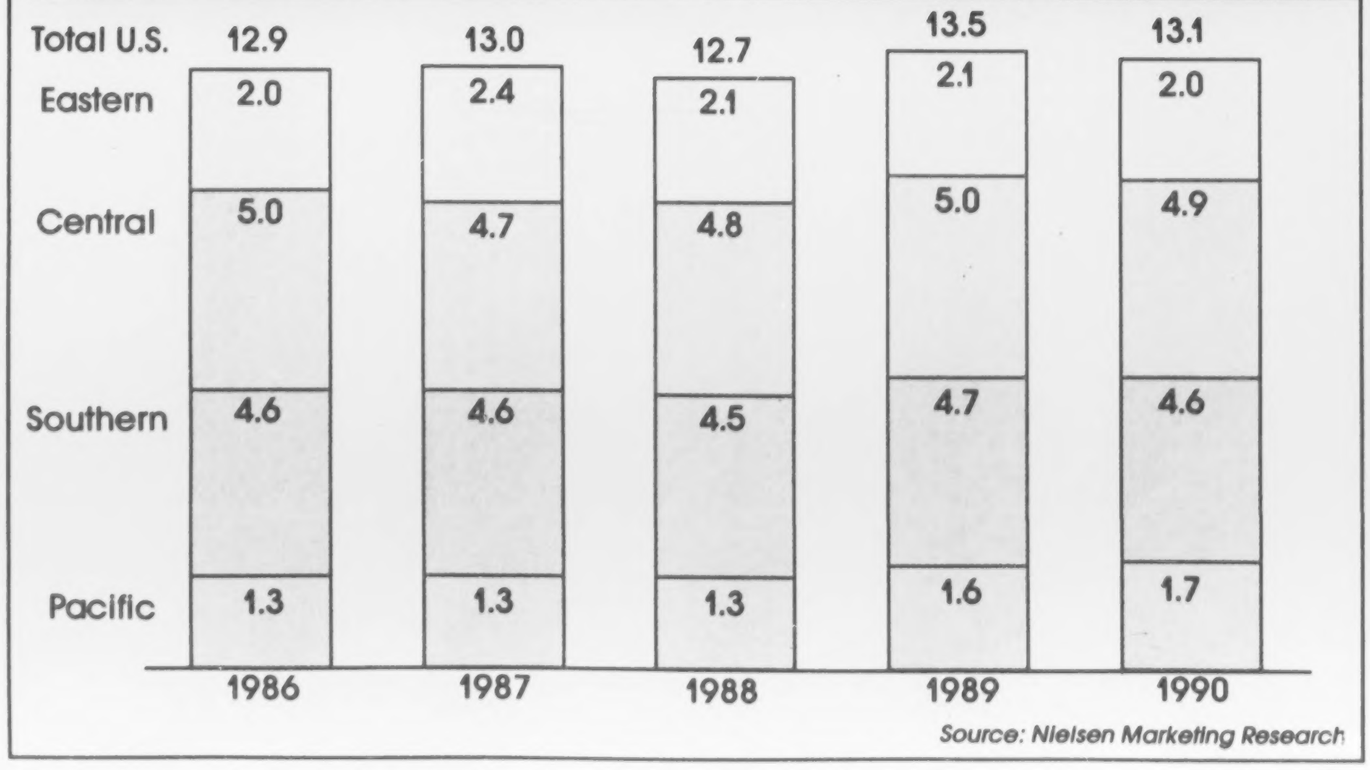
Methodology

Nielsen identifies mass merchandisers as presenting a discount image, having 10,000 square feet or more of selling area and handling at least three merchandise lines. The universe of stores Nielsen used for this survey totals 6,408. This includes Kmart, Wal-Mart, Target and a number of regional chains. This number is only a partial representation of *DSN*'s discount store estimates. For a comprehensive look at the major mass merchants, refer to *DSN*'s annual industry reports, in this year's July 22 and Aug. 5 issues.

Key H&BC Trends at Mass Merchandisers
(First Six Months 1991 vs. First Six Months 1990)



Growth of H&BC Selling Area at Mass Merchandisers
(In Million Square Feet)



H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Discounters Tops in H&BC Sales Growth

(Continued from page 17)

ly, but still hovered at 6.9% in August.

Although mass merchandisers have also suffered through this economic drought, the news for the H&BC category is mostly good for the discount tier. Comparisons of mass merchandisers, drug stores and food stores—where H&BC is sold in highest volumes—show a market in flux.

In 1989, some growth experienced by discount chains could be attributed to an increase in the number of discount stores included in Nielsen's study and to a growth in square footage discounters devoted to H&BC products.

In 1990, more efficiently run H&BC departments fueled sales growth by mass merchandisers. The number of mass merchandiser units considered for this survey by Nielsen actually decreased by 4%. The number of mass merchandise units included totaled 6,408 in 1990, compared to 6,681 in 1989.

H&BC square footage of selling space in mass merchandisers dropped 1.3% in 1990. In the United States, H&BC square footage of selling space was 13.1 million in 1990, compared to 13.5 million in 1989.

The number of mass merchandise outlets with pharmacies was virtually unchanged between 1989 and 1990, at 2,682. Pharmacies had their largest growth spurt in 1987, when their number increased by 14% at mass merchants.

The decrease in all these areas was felt most in the South. The Pacific region showed the largest gains in the number of units, pharmacies and in H&BC selling areas in mass merchandisers specifically.

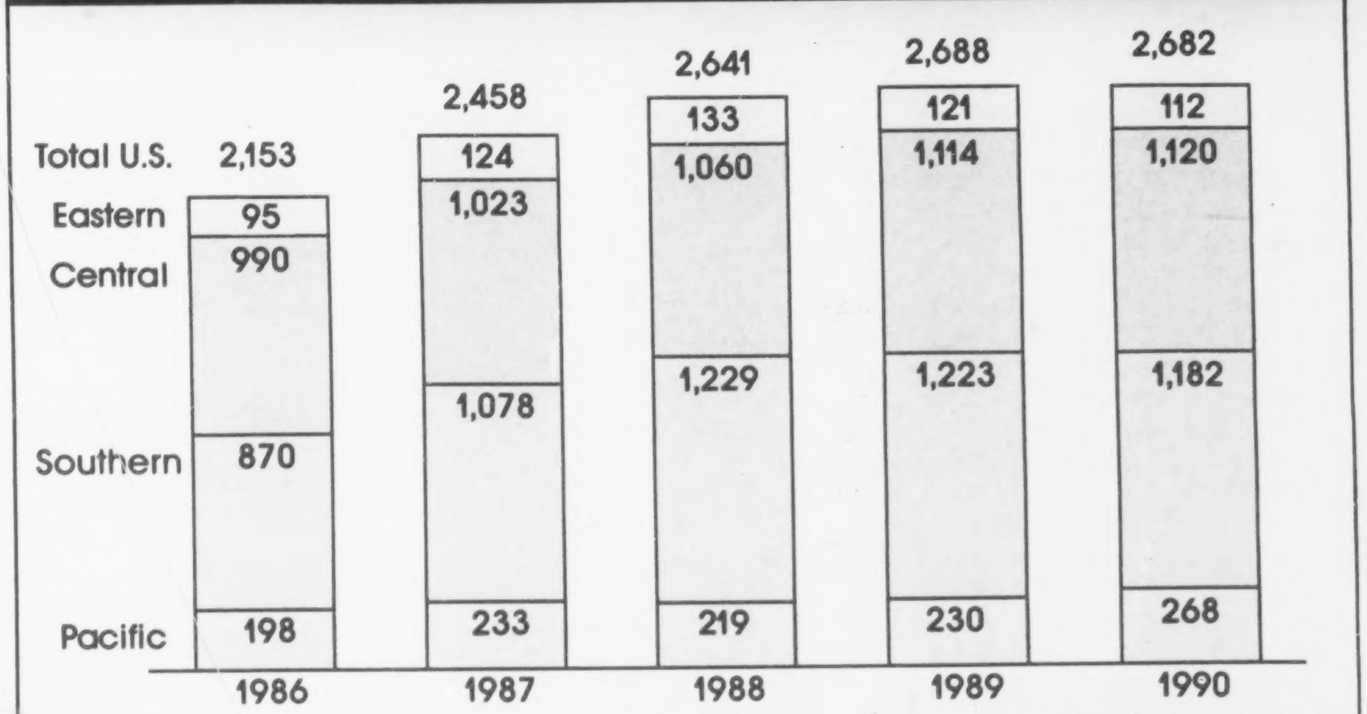
Mass merchandisers overcame these numbers, and came out ahead in the health and beauty care category.

According to Nielsen, dollar sales for health & beauty care products increased 3.7% in 1990 vs. 1989, compared to the 8% increase recorded by mass merchandisers for the same period. In the first six months of 1991, dollar sales increased 2.5% overall from the same time frame in 1990. For the first six months of 1991, mass merchandisers' dollar sales increased 9.2% from that time, a year earlier.

The numbers were equally slanted toward mass merchandisers in specific categories. The best performers overall, according to Nielsen, were external remedial products. In the first six months of 1991, that category increased 6% in drug, food and discount

(Continued on page 21)

Growth of Prescription Departments at Mass Merchandisers
(Total Outlets)



Source: Nielsen Marketing Research

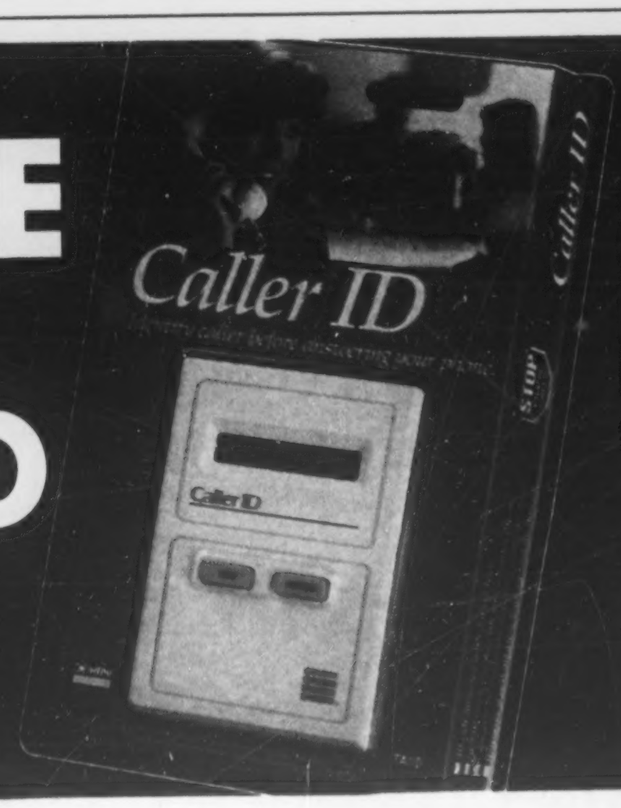
Mass Merchandisers Pick Up Speed in Health & Beauty Care Products
(Total U.S. Dollar Sales Trends)

	Mass Merchandisers			Drug Stores			Food Stores		
Category	**'90 Sales In Millions**	**% Change '89-'90**	**% Change Six Mos. '90-'91**	**'90 Sales In Millions**	**% Change '89-'90**	**% Change Six Mos. '90-'91**	**'90 Sales In Millions**	**% Change '89-'90**	**% Change Six Mos. '90-'91**
Total H&BC	$6,363	7.9	9.2	$12,601	3.5	0.6	$13,905	1.9	1.3
Total Toiletries	3,367	5.9	8.0	6,659	3.7	(0.7)	5,834	2.2	(1.0)
Men's Products	365	8.9	7.7	694	2.1	1.8	611	3.2	2.8
Skin Care	429	4.2	13.1	1,057	5.1	(1.0)	660	5.4	0.4
Hair Care	1,042	5.6	6.3	1,587	2.9	(2.7)	1,699	0.0	(3.4)
Oral Hygiene	558	5.1	8.9	813	3.6	1.0	1,482	2.9	0.7
Color Cosmetics	375	3.3	8.5	1,140	5.7	(1.3)	367	5.4	(3.0)
Selected Remedial Products	597	8.1	6.0	1,367	2.8	0.1	1,014	1.2	(1.9)
Total Remedial Products	1,544	9.5	12.7	4,683	3.6	2.0	4,035	4.3	3.9
Cold/Cough/Flu	307	14.9	14.1	1,222	4.9	3.1	1,139	4.2	6.2
Analgesics/Digestive/Others	904	8.8	14.9	2,587	2.7	1.4	2,353	3.3	2.6
External	333	6.9	5.1	874	4.7	2.4	543	8.7	4.2
Total paper goods (Includes Diapers, Sanitary Products and Pre-moistened Towelettes)	990	8.7	9.6	816	3.2	3.5	3,427	0.0	0.1
Total Selected Sundries (Includes Batteries, Insect Repellents and Flea Collars	463	17.3	5.0	443	(0.6)	(1.7)	608	(4.2)	12.2

( ) = Loss

Source: Nielsen Marketing Research

A PACKAGE WORTH A THOUSAND WORDS.



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H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Slanting Toward Discounters

(Continued from page 18)
stores altogether from 1990. At drug stores specifically, this category increased by 4.7%. Food stores increased 4.2%. Discounters increased 6.9%. The same pattern was repeated often for both 1990 figures and for the first six months of 1991.

Only color cosmetics showed a larger increase at drug stores (5.7%) than at discounters (3.3%) for 1990. But in the year's first half, mass merchandisers' sales accelerated, increasing by 8.5% in color cosmetics, compared to a decrease at drug stores of 1.3%. At food stores, sales of color cosmetics decreased by 3% during the first six months of 1991.

Paper was another category where discounters have been getting very aggressive. Diapers, especially, has been a discount growth area, as these products move from grocery store shopping lists to discount store lists. Now, more and more people seem to be considering discounters as the destination for diaper purchases.

Even more telling are the weighted unit sales trends in the H&BC category. Overall, unit sales reported by Nielsen for all retail tiers dropped 1% for 1990. It's very different in mass merchandise, however.

According to Nielsen, unit sales at mass merchandisers for H&BC products increased in every category and was up 5.3% overall for the tier. Skin care products, and analgesic and digestive remedies both had unit sales increases of more than 10% at discount stores for the first half of this year.

One problem that food stores and drug stores faced, adding to a weak showing in the survey, was inventory management.

Drug stores succeeded in reducing their inventory levels, but that did not make up for the loss in sales. Likewise, food stores managed to decrease inventory levels in many categories. But they, too, were unable to keep up with lost sales.

Mass merchandisers, on the other hand, showed an increase in inventory levels, but the larger inventory was justified by the healthy sales increases recorded at this tier.

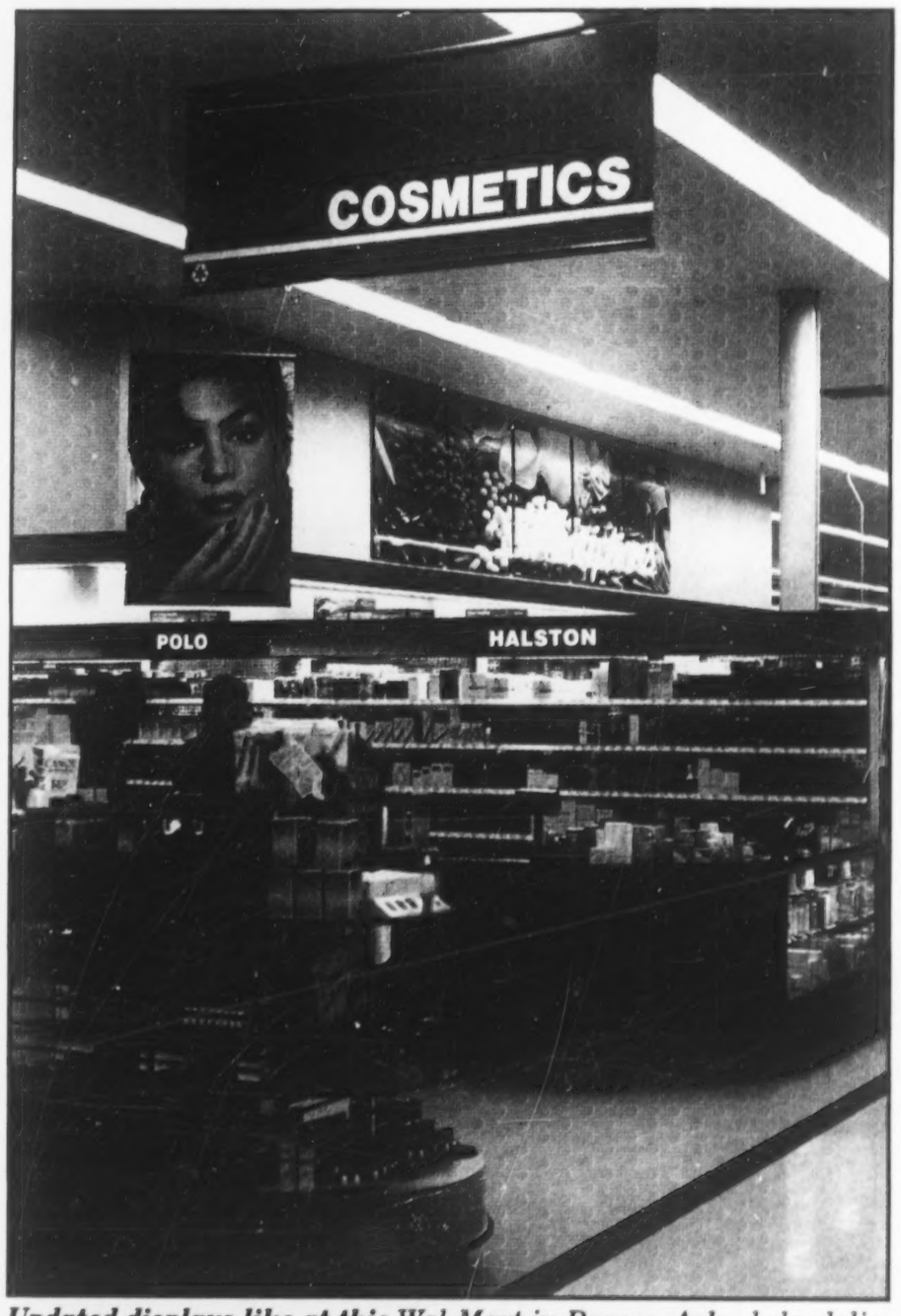
For example, Nielsen reported mass merchandiser unit sales for cold, cough and flu products increased 8.4% for the first six months of 1991, compared to the same period in 1990. At the same time, inventory levels for this category decreased 2.8%.

According to Nielsen, the annual turnover rate for H&BC at discounters is 9.9, compared to 4.6 for drug stores. It remains high for food stores, as well, which in 1990 had an annual turnover rate of 9.8 for H&BC products. This, however, was a 4% decrease from a year earlier for food stores.

Two product categories had very high turnover rates at discount stores. Paper goods increased 10%, due primarily to diapers, as the turnover rate increased from 18.5 to a 20.1. Cold, cough and flu remedies increased 11.5%, going from a turnover rate of 8.2 to 9.1.

More specifically, all these positive reports resulted in a *(Continued on page 22)*

***Target Greatland,** Columbus, Ohio: Diaper sales increased at the mass merchandise level at the expense of drug stores.* (DSN photos)



***Updated displays like at this** Wal-Mart in Rogers, Ark., helped discounters increase unit sales in color cosmetics in early '91.*

Market Share of Selected H&BC Category Dollar Sales (6 mos. '91 vs. '90)

Category	Mass Merchandiser %	Drug Stores %	Food Stores %
Hemorrhoid Preparations	46.4	36.4	17.2
Home Wave Kits	37.0	45.2	17.8
Batteries	34.1	27.1	38.8
Hair Color	29.5	51.5	19.0
Hair Fixatives	28.1	29.2	42.6
Mousse	27.8	30.5	41.7
Baby Oil	27.7	31.0	41.3
Soft Contact Lens Solutions	27.0	43.6	29.4
Deodorants	25.1	26.8	48.0
Shampoo	24.5	27.4	48.1
Aftershave Lotion/Cologne	24.2	58.4	17.2
Feminine Douches	23.7	38.7	37.6
After Shampoo	23.7	35.1	41.2
Cotton Swabs	22.9	25.6	51.5
Blades and Razors	22.9	29.6	47.5
Ethnic Hair Preps	22.5	58.4	19.1
Shaving Cream	22.2	29.0	48.8
Mouthwash	22.0	29.1	48.9
Color Cosmetics	21.4	59.8	18.8
Hand and Body Lotions	21.3	43.5	35.2
Suntan Lotions and Oils	21.2	49.4	29.4
Face Creams and Lotions	20.9	55.3	23.8
Disposable Diapers	20.6	10.5	69.0
Toothbrushes	20.5	33.9	45.6
Dentifrice	20.4	22.3	57.3
Sanitary Protection	18.4	25.0	56.5
Depilatories	18.4	58.0	23.6
Laxatives	17.3	55.0	27.7
Stomach Remedies/Antacid	16.9	39.8	43.4
Internal Analgesics	16.1	35.8	48.1
Sinus Remedies	15.9	38.1	46.0
Vitamins	15.7	54.1	30.2
Foot Remedies	15.4	57.3	27.2
Topical Hydrocortisones	14.9	57.1	28.0
External Analgesics	14.1	59.8	26.1
Acne Remedies	14.0	44.6	41.5
Cold Remedies	13.8	41.8	44.4
Early Pregnancy Test	12.8	63.8	23.4
Diarrhea Remedies	11.9	42.9	45.1
Cough Drops	10.4	40.5	49.1
Throat Lozenges	9.0	48.0	43.0

Source: Nielsen Marketing Research

Mass Merchandisers Lead in Inventory Turnover

Total U.S. — Weighted Annual Inventory Turnover Rate

	Total H&BC (Food/Drug Mass)				Mass Merchandisers			
	1990 Annual Turnover	% Change '90 vs. '89	6 Mos. '91 Annual Turnover	6 Mos. % Change '91 vs.'90	1990 Annual Turnover	% Change '90 vs. '89	6 Mos. '91 Annual Turnover	6 Mos. % Change '91 vs.'90
Total Health and Beauty Care	7.5	0.0%	7.4	(0.8%)	9.9	6.9%	10.4	3.5%
Total Toiletries	6.1	1.2	5.9	(3.2)	8.5	4.0	8.7	(0.1)
Men's products	6.4	1.4	6.2	(4.2)	8.6	2.2	9.0	(4.1)
Skin Care	5.2	0.5	5.1	(3.7)	7.1	2.9	6.9	(5.4)
Hair Care	6.7	0.3	6.4	(3.7)	9.3	4.1	9.4	1.4
Oral Hygiene	8.4	1.9	8.2	(2.1)	11.1	4.1	11.4	2.7
Color Cosmetics	2.6	2.3	2.5	(6.6)	3.3	1.3	3.4	(2.7)
Selected Remedial Toiletries	5.7	1.4	5.4	(0.1)	9.2	5.6	9.7	3.0
Total Remedial Products	6.1	0.9	6.3	1.4	8.3	4.6	9.0	8.0
Cold/Cough/Flu	5.5	(2.3)	6.2	3.7	7.5	1.3	9.1	11.5
Analgesics/Digestive/Other	6.2	2.9	6.3	0.6	8.4	9.3	9.1	8.0
External	6.2	(1.2)	6.0	3.8	8.6	(4.3)	8.7	2.1
Total Paper Goods	14.6	(3.7)	14.7	0.8	18.4	5.7	20.1	10.4
Total Selected Sundries	6.0	2.8	6.1	1.6	6.9	12.7	7.0	(1.1)

( )= Loss

Source: Nielsen Marketing Research

Exclusive to Discount Store News.

DISCOUNT STORE NEWS, November 18, 1991

H&BC·TRENDS·REPORT

The 1991 Nielsen Review of Mass Merchandiser Trends

Mass Merchandisers Lead in H&BC Sales

(Continued from page 21)
number of H&BC products gaining market share at discount stores at the expense of both drug and food outlets.

For instance, mass merchandisers had a larger market share in sales of hemorrhoid preparations than food and drug stores. Disposable diapers and batteries had a larger share of sales at mass merchants than at drug stores. And color cosmetics, ethnic hair care products, aftershave and cologne, hair color and home wave kits had a larger market share at discounters than in food stores.

Drug stores have the advantage of selection to attract consumers and need to keep more in the stores. Mass merchandisers are likely to have fewer skus, but ones that result in better margins for H&BC products.

Though the news seems all good for mass merchandisers in this latest Nielsen survey, caution is recommended. The economy is still weak and is affecting all retail tiers.

In addition, mass merchandisers may be looking over their shoulders sooner than they think. Though they still have a way to go, drug stores are streamlining their operations—as shown by decreasing inventory levels in this survey. Greater efforts by drug stores may impact mass merchandisers in next year's survey.

Mass Merchandisers Sizzle With H&BC Products

Dollar Sales Increases Greater Than 15%
- External Analgesics
- Sinus Remedies
- Diaper Rash Creams
- Batteries
- Foot Remedies
- Throat Lozenges
- Early Pregnancy Tests
- Cold Remedies
- Sleeping Tablets
- Women's Fragrances

Dollar Sales Increases Between 10% and 15%
- Blades and Razors
- Cough Syrup
- Denture Adhesives
- Vitamins
- Toothbrushes
- Diarrhea Remedies
- Baby Bath
- Stomach Remedies/ Antacid
- Face Creams/Lotions

Dollar Sales Increases Between 5% and 10%
- Ethnic Hair Preps
- Topical Hydrocortisones
- Pet Flea Collars
- Disposable Diapers
- Acne Remedies
- Hair Color
- Internal Analgesics
- Baby Powder
- Dental Floss
- Sanitary Protection
- Eye Drops and Lotions
- Arthritic Remedies
- Shampoo
- Laxatives
- Cough Drops
- After Shampoo
- Chapped Lip Preps
- Deodorants
- Face Makeup
- Cotton Swabs
- Dentifrice
- Bath Products
- Lip Makeup
- Aftershave Lotion/ Cologne

Dollar Sales Increases 0 to 5%
- Hand and Body Lotions
- Pre-moistened Towelettes
- Nasal Spray
- Feminine Douches
- Soft Contact Lens Solutions
- Baby Lotion
- Mousse
- Mouthwash

No Dollar Sales Growth/Sales Decline
- Men's Hair Preps
- Women's Contraceptives
- Eye Makeup
- Home Wave Kits
- Depilatories
- Nail Color
- Denture Cleansers
- Hair Fixatives
- Talc/Dusting Powder
- Shaving Cream
- Suntan Lotions/Baby Oil
- Insect Repellents
- Dieting Aids

Source: Nielsen Marketing Research

Most Retailers Think Newspaper Isn't As Glamorous As TV.

Until All Those Buyers Show Up In Their Store.

Nothing moves people to buy like newspaper. And nowhere is that more evident than in the retail world. Studies bear it out. Newspaper readers are three times more likely to buy. And four out of five actually do. Best of all, for every dollar they spend on an advertised item, they spend another dollar on something else.

Now that's what you call a retailer's dream come true. (Especially when you consider the price.) Fact is, if you want to move product, newspaper's the way to go. The one sure-fired way to boost sales and create standing room only in your store.

Newspaper. It's The Best Way To Close A Sale. Source: Response Analysis Co., 1976.

For more information on how newspaper can help you close the sale, call Jim Wilson at (212) 704-4503.

Discount Store News®

THE INTERNATIONAL NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

VOL. 30, NO. 23

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Target Issue, $25
December 9, 1991

THE GREAT LANDING OF TARGET

Utilizing its Greatland prototype, a new 'small market' format, and larger standard discount stores cut from the Greatland mold, Target will double its size by 1996. This special DSN study celebrates Target's recent 22-store grand opening day and examines the challenges it faces in the years ahead.

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MARKETWATCH

Wal-Mart to Vendors: Bypass Reps

BENTONVILLE, Ark. — Wal-Mart president David Glass has sent vendors a letter saying that it now will only deal directly with them, instead of through third party distributors. "The improved communication and increased reaction time" from dealing directly "will enhance both our businesses," Glass wrote, in the Nov. 6 letter. "During the next few weeks, you will be contacted by whomever you have been dealing with at Wal-Mart to further discuss this matter. Please be prepared to meet with that individual and advise him or her whether you will agree to accept Wal-Mart's decision that it is in the best interest of our company and our customers to deal directly," he concluded. For several years, Wal-Mart has been attempting to eliminate distributors and get vendors to shave prices by the customary distributor commission of 5%.

Schottenstein to Sell Value City Shares

COLUMBUS, Ohio — Schottenstein Stores, which took Value City Department Stores public in June, plans to sell 1.8 million more shares of the chain. After the sale, which would raise an estimated $31.5 million, Schottenstein would own a 66% stake in Value City, down from 73%. The move comes a month after Schottenstein split Value City stock 2-for-1 after it rose from an initial offering price of $17 to $37, as of Nov. 19. Schottenstein will use the cash as working capital and to recoup costs of buying shopping center land, some of which is leased to Value City.

Slump Hurts Stop & Shop Stock Sale

BRAINTREE, Mass. — Bradlees' supermarket parent, Stop & Shop Cos., went public last month, but the stock market slump sharply reduced its take. Stop & Shop sold 17 million shares, or a 33% stake, but it had to cut its offering price to $12.50. It originally had expected its stock to fetch $14 to $16 a share. Stop & Shop will use the $212.5 million raised to reduce debt stemming from a $1.2 billion 1988 leveraged buyout in 1988. Kohlberg Kravis Roberts owns a controlling 59% of Stop & Shop, while former and current management own the balance of 8%.

Dayton Hudson Exec Goes to Rose's

HENDERSON, N.C. — Another former Dayton Hudson executive has joined Rose's Stores, following several Target executives who headed south earlier this year, led by George Jones, now Rose's president. Rob Gruen has been named vice president, general merchandise manager over electronics, seasonal, sporting goods, toys, hardware and automotives. Bob Sasser remains vice president, gmm for all other hard lines divisions. Gruen had been divisional merchandise manager of children's apparel and toys for the department store division, including all Dayton Hudson and Marshall Field stores. He also served seven years at Target.

Newell Agrees to Acquire Sanford Corp.

FREEPORT, Ill.— Newell took a major diversification step into office products by agreeing to acquire Sanford Corp. of Bellwood, Ill., in a $600 million stock swap. Sanford produces markers, pens and other office and school supplies. In October, Newell had tested the waters by investing $10 million in Stuart Hall.

New President at Bill's Dollar Stores

JACKSON, Miss. — Charles Acklen has been named president of Bill's Dollar Stores, succeeding Fulton Stokes, who resigned to pursue other interests, said the company. Acklen had been chief operating officer, and continues as a director of Bill's parent, BDS Investors.

Target Names Fontaine's Replacement

MINNEAPOLIS — Bob McMahon has been promoted to senior vice president of property development to replace Jack Fontaine, who retired from that position after more than 29 years with Target. McMahon joined Target in 1983, left in 1988, and returned in 1990 as vp and merchandise manager of music, movies and books. Fontaine joined Target in 1962 as area manager of the company's first store in Roseville, Minn. During his tenure, he was involved with 13 different Target store prototypes. Separately, Target announced that until Dec. 24, American Express will donate 5 cents for every customer who uses its card at Target to buy more than 12,000 stuffed animals. The toys will be distributed to paramedics across the country in January by local Target managers.

Ames Creditor Getting Antsy

Citibank Proposes Own Reorganization Plan for Chain

ROCKY HILL, Conn. — Despite the closing of 77 stores in the fourth quarter or early in the first quarter of 1992, Ames Department Stores projects a small profit for the fourth quarter before taxes, interest and restructuring charges. Chairman Stephen Pistner said that he expects a profit before those expenses of $2 million to $10 million. That compares to a loss before interest and taxes of $5 million in the fourth quarter last year.

That, evidently, is not enough for creditor Citibank, which is attempting to force Ames to accept its own reorganization plan. The banker, which is the lead creditor in Ames' $450 million credit line, appealed to a Manhattan Federal Court to accept its plan because ongoing losses have severely limited Ames' ability to reorganize. Ames refused to comment on ongoing litigation.

However, the creditors' committee, chaired by Gitano, opposes Citibank's plan, and will reportedly testify for Ames in the near future.

For the year, Ames expects an EBIT loss of roughly $90 million, compared to a loss of $300 million last year. "The anticipated reduction in our operating loss from last year of more than $200 million reflects the advances we are making in revitalizing Ames," Pistner said. "We are continuing to make progress toward our primary goal of emerging from Chapter 11 as a strong, viable and competitive company."

Pistner added that the company has borrowed less and later than in the past and anticipates repaying all lines of credit debt by mid-December. "We have continued to take early action to further reduce our operating expenses both through selective store closings and cost-cutting measures," he said. "We expect to finish the year with a 20% year-to-year improvement in our gross margin, to 26.1%, and a reduction in our inventory shrinkage of more than one-third. We have also exceeded our cost reduction expectations by $5 million."

Ames warned that investors should not rely on its projections, and said that it will release its third quarter figures, which will contain a restructuring charge for the 77 stores due to close Dec. 10. The chain now operates 371 stores, primarily in the Northeast.

Stuarts Achieves Second Straight Profitable Quarter

FRANKLIN, Mass. — Stuarts Department Stores recorded its second consecutive profitable quarter, after a series of losses dating back to the retailer's Chapter 11 filing in December 1990.

Profits for the third quarter, ended Nov. 2, totaled $365,000 vs. a loss of $296,000 for the year-ago quarter.

"Third quarter results were significantly impacted by a very strong performance in October. This is very encouraging following our second quarter 1991 performance which reflected a profit of $370,000. Our performance to date is on target in achieving our profit projections for the fiscal year ended January 1992," said Joseph Ettore, president.

Stuarts operates 20 self-service department stores in the Northeast. The retailer is currently working with a Creditors' Committee in creating a plan of reorganization.

Emphasis on Apparel Mix Gives Boost to Jamesway

SECAUCUS, N.J. — Jamesway reported a profit for its third quarter ended Nov. 2, 1991. The company reported net income of $380,000 compared to a loss of $3.5 million for the same period in 1990.

For the 39 weeks ended Nov. 2, however, the company reported a net loss of $3.7 million, compared to $5.3 million in 1990.

For the quarter, same store sales were up 7%, while for the year-to-date, same store sales were up 1%.

Herb Fisher, chairman and chief executive officer, attributed the quarter's results to "a shift in our sales mix toward apparel. We also increased the frequency of advertising in the quarter. This, coupled with tight expense controls and lower interst charges on reduced inventory levels, contributed to a profitable quarter."

DSN to Host Retail Forum At NHMA '92

CHICAGO — *Discount Store News* will host it's second Retail Forum during the National Housewares Manufacturers Association's Housewares Show next month. Moderated by *DSN* chief editor, Tony Lisanti, the forum will bring together top merchandising executives from a spectrum of retail formats to discuss issues facing the industry including international, environmental and competitive aspects of retailing. Show exhibitors and attendees are welcome to attend, in room East 20-12, from 7:30 to 9 a.m.

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EDITORIAL

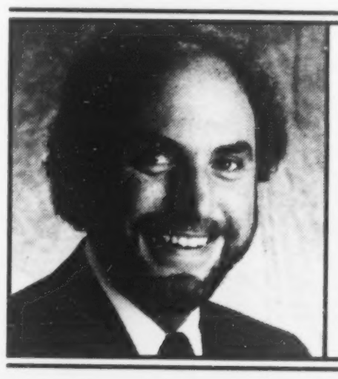
Making 'The Great-landing of Target'

In many ways, this special issue about Target can be likened to the grand opening of a discount store.

It represented a true team effort; it required about six months of research and development; it went through dozens of changes; it seemed like it would never get done. And like a new store, while thousands of people will enjoy it, inevitably someone will always criticize it. (But that's the nature of publishing and retailing.)

DSN began planning for this special issue last May. The original concept, which was proposed to former president Warren Feldberg, was simply to profile the nation's third largest discounter, the "growth retailer of the '90s" as previously described in a past issue of *DSN*.

But the *DSN* team wasn't satisfied with just another in-depth profile. They wanted to do something different; something elaborate; something fun. Subsequently, it was decided that this special December issue would be a "a day in the life" of Target. It would analyze the "trials and tribulations," or as another editor said, "the agony and the ecstasy" of opening a store. But as the idea continued to develop, it wasn't just "one" store, but seven stores selected from the 22 stores Target opened simultaneously Oct. 13.



TONY LISANTI
Editor

The seven *DSN* editors who covered Target's store openings traveled a total of about 25,000 miles across the country, took more than 1,500 photographs, interviewed about 100 Target customers and employees, ate a few hot dogs, drank a few cups of coffee and spent about $300 on Target merchandise. All the editors, except one, were warmly greeted by Target personnel, and a few editors had a chance to visit family and friends. Some editors enjoyed marching bands and disc jockeys from local radio stations while one editor was treated to a Target paratrooper.

Executive editor Don Longo traveled the farthest, to Palmdale, Calif. He drove from Los Angeles (about 60 miles) and thought he would never get there. "I thought commuting daily on the Long Island Railroad to New York was tough, but commuting from Palmdale to L.A. is worse," he said. "I was driving through the desert when all of a sudden I came upon this retailing oasis and there was Home Depot, Wal-Mart and Target. "And this was not a typical Target," Longo added. "It should have had a Greatland sign on the door."

Meanwhile, associate editor Richard Halverson spent a week on the road heading from the APA A trade show in Chicago to Spokane where he visited his daughter whom he hadn't seen in 12 years. Then it was on to Coeur d'Alene, Idaho, which he described as a "mecca for retirees, tourists and shoppers." He couldn't believe the number of Canadians that travel over 100 miles to shop the Target store. "A district manager told me that Canadians account for 10% of store sales," Halverson said. "They actually leave old clothes, used oil filters and boxes in the parking lot to avoid paying taxes."

While Halverson enjoyed Coeur d'Alene lake, associate editor Mary Ellen Kelly enjoyed the lake of Bemijdi, Minn. And she will never forget "Paul and Babe"—the most famous residents of this town where Target opened its small market prototype. "I thought Paul and Babe was a diner or bar," she said. "But it turned out that Paul and Babe is a historic monument on Lake Bemijdi that everyone references when giving directions. Paul is Paul Bunyon and Babe is his ox." Kelly reported it was a quiet opening with little fanfare and no celebrities, but in retrospect appropriate for this small town with a large population of native Americans.

On his way to Austin, Texas—a fill-in market for Target, senior editor Pete Hisey stopped in Houston to visit his cousin, herself a Target shopper who refers to the upscale discounter with a French accent, "Au Target." Hisey was impressed that all the Target regional and district executives wore the same red smock as the store personnel. "That really communicates an important message to all employees and shoppers," he said.

Senior editor Arthur Markowitz simply said that Target finally filled the void in Columbus, Ohio, for an upscale discounter that was left with the demise of Gold Circle. Three Greatland prototypes opened and Markowitz visited all of them and every other major retailer in Columbus. He was impressed with the high level of service at Greatland and the Cub Foods store!

Senior editor Laura Liebeck was a bit concerned with the lack of traffic at the store openings in Jacksonville, Fla., a new market for Target. She had arrived at the store at 8:15 a.m. and the "Welcome Target" sign was just being hung up above the entranceway. "Several shoppers arrived at 8:30, walked right in the store, but were asked to leave until the official opening and ribbon-cutting at 9:00 a.m.," she said. "The manager explained that people are at church and at breakfast and it'll get busy later." Liebeck was relieved that business picked up by midday.

For associate editor Jill Lettich, the greeting she received in Springfield, Ill., where Target opened a Greatland store, wasn't "very friendly and fun, but they were very fast to recognize me as soon as I entered the store. 'You're from *Discount Store News*,' the security guard said to me; no pictures please. But as it turned out Jill got one of the best pictures and shows. "Everyone was a little nervous that the skydiver would miss the Target bull's-eye and land next door in Wal-Mart's parking lot," she said. "But he didn't." It proved to be a great landing, as well as a great cover for *DSN*.

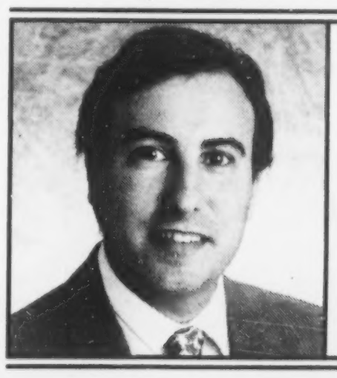
The result of all these travels, interviews and store visits is insightful accounts from each editor, which begin on page 23. Enjoy the journey across the U.S.A. with the staff of *DSN*. Enjoy a day in the life of Target.

BUYERS & SELLERS

Stocking Stuff to Stimulate a Reading Retailer

The best Christmas present that President Bush, Congress and the Federal Reserve could give retailers would be to stimulate the sluggish economy.

Of course, most would settle for a little more discretionary spending by consumers, who so far show no signs of digging deeply into their pockets this holiday season. Consumer confidence is so low right now that many Americans are using their cash to pay down installment debt rather than charge up new balances.



DON LONGO
Exec Editor

Since there's not much I can do to stimulate the economy (I've about maxed out on my VISA limit), I thought I'd make myself a little useful to retailers this holiday season. Books are always a popular gift item for Christmas. So, in the spirit of the holiday season, I'm going to suggest some reading material that you can stuff in the stocking of the retailer on your shopping list. Mind you, these titles are not likely to make *The New York Times* best seller list, but they certainly provide some interesting reading. At the least, they'll take your mind off holiday sales figures for a while:

- *Taking Care of Business: 101 Ways to Keep Your Customers Coming Back Without Whining, Groveling or Giving Away the Store*, by Dick Schaaf and Ron Zemke. Lakewood Publications, Minneapolis. This little book is loaded with gems of common sense, such as Visit Customers on *Their* Turf, Subscribe to Trade Publications (I particularly liked that chapter), Don't Over-Promise, Resist "Acceptable Quality Levels," and Share The Wealth Internally, and 96 others.
- *Signs That Sell: The Handbook of Successful Merchandise Signing*, by Sonja Larsen. Insignia Systems Inc., Minneapolis. Said Target Stores senior vp for marketing John Pellegrine: "Sonja takes you from the basics to the bold; from the simple to the splendid. Everything you want and need to know about effective signing."
- *Children as Consumers: Insights and Implications*, by James U. McNeal. D.C. Heath & Co., Lexington, Mass. This book by a Texas A&M marketing professor not only defines the children's market in dollars, but also covers the ethics of marketing to children and how to educate children as consumers. I liked the candid interviews. "Interviewer: What other stores do you like? Travis (11 years old): Let's see. I like Wright's Sporting Goods. They have a lot of good things. And Wal-Mart. That's a good store. And I guess Sears."

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Unravelling sweaters

Cotton sweaters in a variety of styles, such as the one featured here by Gitano, are emerging as big sellers for many discounters.

Retailers can't seem to agree on what the leading fiber is, the availability of goods for spot buying, or the overall climate of the sweater business.

Sweaters, traditional mainstays of the third and fourth quarters, are, like other apparel classifications, running into stumbling blocks in the form of a sluggish economy. But even inroads made by fleece, knit tops and a soft retailing climate haven't placed the category out of the running.

Some manufacturers and retailers see bright spots on the horizon even while admitting that budget-crunching is affecting how they buy.

For instance, Elissa Kraemer, divisional merchandise manager, women's sportswear, Burlington Coat Factory, Burlington, N.J., says women's sweater business has been good this year.

"We think that part of it is that it [the sweater] is a way for a customer to update her wardrobe at a comparatively inexpensive price," says Kraemer. "She can buy something new and exciting. It's an easy add-on to an existing wardrobe."

At the same time, however, Kraemer admits that while initial orders were placed in March, especially on imports, for the fall season, "we tried to hold back more money to buy in season."

For spring, Kraemer has thus far only bought sparingly, placing her open-to-buy bets on cotton fancies.

Her counterpart at Burlington, Stephen Koster, men's merchandise manager, has a different view. "I've got to be honest with you," he says. "Sweaters have dipped a little. Prior to two years ago, sweaters were increasing 20% to 25% a year."

According to NPD, the Port Washington-based research company that monitors consumer buying habits *(see chart, page 18),* the total number of sweaters sold in the first half of 1991 dropped 13% compared to the same period in the prior year. That message becomes even more ominous for the industry considering that 1990 was a weak sweater year. Total sales for 1990 were down 16% in units compared to 1989.

Yet reaching a consensus regarding the category varies by retailer and producer. The only thing everyone in the sweater business, both men's and women's, seem to agree on is that cardigans are still hot.

There's disagreement over a lot of other issues: how much goods are readily available for spot buys, whether cotton has replaced acrylic as a leading fiber, and the overall climate of the sweater business.

For instance, Burlington's Kraemer says that, "there are a lot of goods available in the market. There are a lot of other stores that couldn't be shipped. There are a lot of retailers' programs that have fallen through that make goods available. We purchase advantageously."

But according to Michael Kipperman, president, Turtle Bay/Gotham Apparel Corp., New York, a Sasson licensee, "This year people [retailers] did not project sweaters to be as spectacular, as strong as they currently are." ►

Salvatore Baiano

As a result, Kipperman says, nobody really placed orders domestically in the first and second quarters the way they normally do for third-quarter delivery. "Most domestic manufacturers—being gun shy—and most domestic yarn people—being gun shy—cut back production." Thus, for the first time in his memory an apparel commodity has not been available for spot delivery.

"Here you have merchandise managers telling their buyers to go into the market and buy spot goods and closeouts," says Kipperman. "and there is virtually nothing available. We have a waiting list of people we haven't done business with for 10 or 15 years, who called and begged for merchandise."

With this as a background, it comes as no surprise that Kipperman says that, "Our business is through the roof. It's running dramatically ahead."

Not only that, says Kipperman, the biggest shocker is that where most of his sweaters have traditionally retailed for about $19.95, they're checking out at about $34 this season.

But marketing sweaters, for now, remains a risky business. According to Joseph Lai, owner, Cartwell Industries, New York, importer of apparel from China, Hong Kong and Korean retailers are willing to gamble on buying closer to their season.

They buy on a month-to-month basis, he says, citing an instance where a Massachusetts retailer came in on Oct. 2 and ordered for delivery on Oct. 25. Because of the seesaw nature of sweater sales lately, he says, the retailers are afraid to commit too deeply. Instead of having 10 dozen units of one style in a store, they want five dozen.

"If the goods are checking out of the stores, the retailers come back," Lai says. "If they find the goods, fine. If they don't, they'll buy something else."

This approach, while cautious, doesn't allow retailers to capitalize on the potential of a given item.

However, one style most retailers have maximized is the cardigan. Joyce Vera, buyer, misses career sweaters at J.C. Penney, Dallas, says that cardigans and sweater coats represent 45% of her department's sales. V-neck and mock neck pullovers are strong. "Glitz is selling!" says Vera. Average unit retail at Penney is down slightly—$31.50 versus $33.10 a year ago, but recently there has been movement in the $48 to $64 range, she says.

Best price points at Braintree, Mass.-based Bradlees are $20, $25 and $30, according to Celia Clancy, divisional merchandise manager of misses and petites. Here, cardigans are also strong sellers. Tunic business has been a little disappointing, says Clancy. "It might be the weather." Crops are selling in juniors, but not in misses, she says.

Turtle Bay's Kipperman confirms the strength of short sweaters. "All the retailers bought tremendous quantities of tunics to go with leggings," he says, "but they neglected the crop category."

"Right now, 90% of my reorders are crop sweaters," Kipperman says. He says two of his styles alone will produce about $7 million at retail this season.

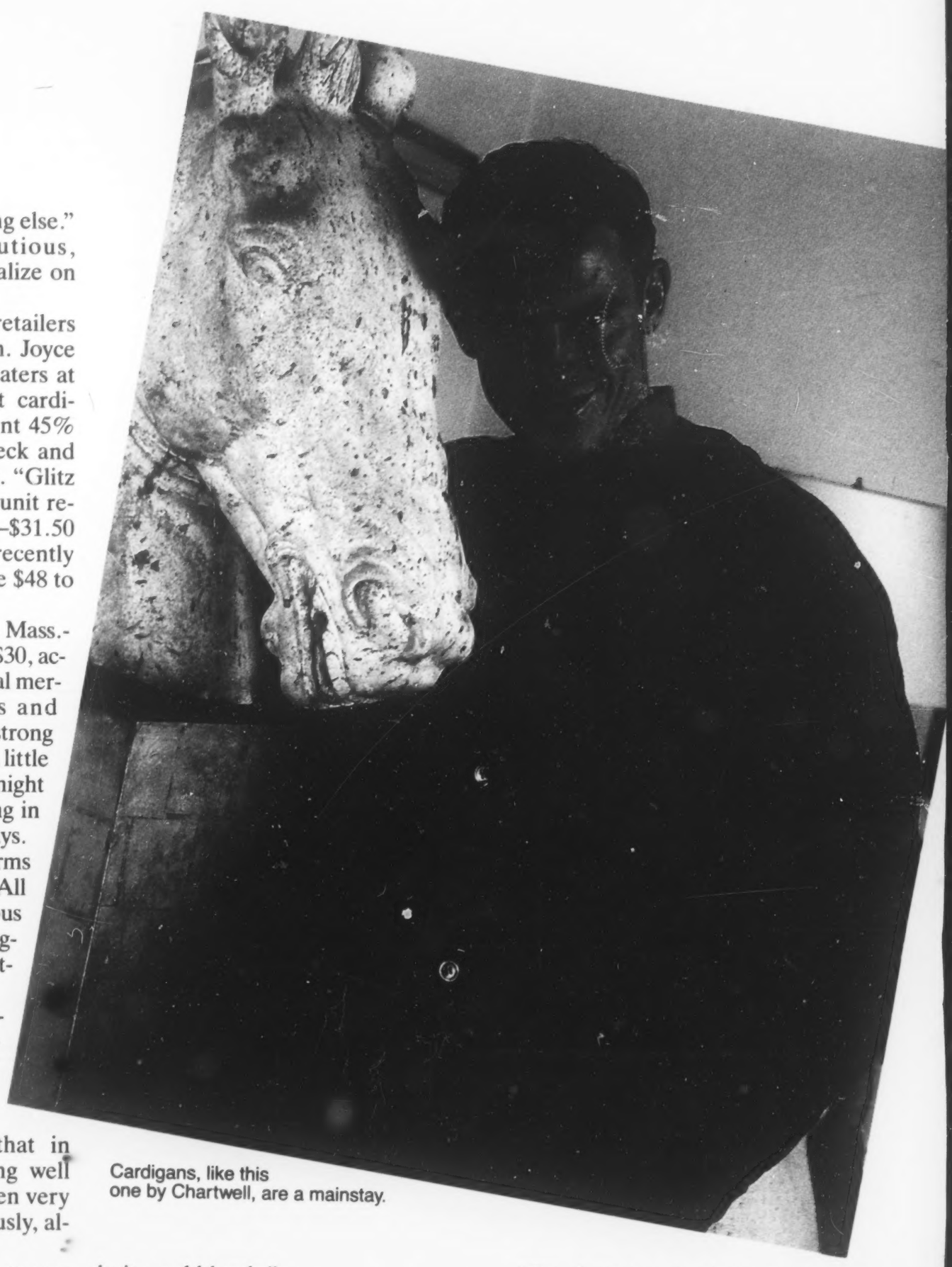
Burlington's Koster notes that in men's V-necks have been doing well this year because shirts have been very important, and this style, obviously, allows more shirt to show.

Cardigans are doing well in young men's fashions and are a big impulse purchase for older men, he adds. "It used to be more crew necks, but these have slipped in popularity to V-necks and cardigans."

In the ladies sportswear departments of Burlington, cardigans are also strong, says Kraemer. "It's like a jacket substitute." The knit top business is strong, she adds, but we haven't seen it eat into the sweater business.

When it comes to fibers, Penney's Vera says that her best-selling sweaters are the fur blends. Her best selling sweater is a blend of lambswool (70%), angora (20%) and nylon (10%). The next best sweater is made of 100% acrylic bouclé.

Burlington's Kraemer agrees that fur blends are selling well. Anything with a hairy interest, such as lambswool, angora, mohair or a combination of silk and angora does well. "We're not selling basic cottons or acrylic sweaters," she says. "We're selling things that are different, like hand knits and blends."



Cardigans, like this one by Chartwell, are a mainstay.

At Bradlees, the strongest sweater fiber has been and continues to be acrylic.

In the men's departments at Burlington, cotton sweaters—both domestic and imported—have come on strong, according to Koster. "There are some interesting treatments that domestic manufacturers are doing in cotton," he says. "These have taken the place of low-end acrylic jacquard business."

Wool has become a two-month business during November and December. "It's really come down in importance as far as I'm concerned," says Koster. "The customer has really grown to accept cotton as a replacement for wool," he says.

Another strong vote for cotton comes from Turtle Bay's Kipperman. "Our business in the last three years went from 95% acrylic to 99% cotton," he says. "You've got a consumer who wants cotton. She's being educated by the retailer, and I think the cotton council has done an outstanding job in pushing and promoting cotton."

Yet acrylic's performance properties are keeping that fiber in the running. "If it gets dirty, throw it in the washing machine, take it out and boom, you can wear it," says Cartwell Industries' Lai.

Despite the intrinsic appeal of sweaters and the fibers used for their manufacture, the fact is that the business has become a fraction of what was once an overwhelmingly dominant, commodity classification. The question is at what level will the category become stable? ◢